Kakuzi Limited

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997
CONTENTS

2007/0012

COMPANY INFORMATION

DIRECTORS:

M. C. Perkins*, F.C.A. (Chairman)
Dr. T. R. Fowkes* (Managing Director)
F. R. Bibby* (Technical Director)
C. A. Gardner*
Dr. B. M. Gecaga, C.B.S.
Sir Charles Markham, Bart.
K. W. Tarplee*

*British

SECRETARY AND REGISTERED OFFICE:

Mrs. M. A. Pandit
New Rehema House,
Rhapta Road, Westlands,
P.O. Box 30572,
Nairobi.

REGISTRARS:

Barclays Advisory and Registrar Services Limited,
Barclays Plaza,
Loita Street,
P.O. Box 30120,
Nairobi.

LONDON TRANSFER AGENTS:

Kenya Commercial Bank Limited,
International Division,
London Representative Office,
1 Hay Hill, Berkeley Square,
London WIX 7LF.

AUDITORS:

Coopers & Lybrand,
P.O. Box 30158,
Nairobi.

BANKERS:

Kenya Commercial Bank Limited,
P.O. Box 30081,
Nairobi.

Commercial Bank of Africa Limited,
P.O. Box 45136,
Nairobi.

SUBSIDIARY COMPANIES:

Siret Tea Company Limited	(100% owned)
Kaguru Limited	(100% owned)
Estates Services Limited	(100% owned)
Garton Limited	(51% owned)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the seventieth ANNUAL GENERAL MEETING of the members will be held at the Tinga Tinga Room, The Norfolk Hotel, Harry Thuku Road, Nairobi, on Thursday 21 May 1998 at 12.00 noon for the following purposes:-

1. To confirm the minutes of the Annual General Meeting held on 27 May 1997.

2. To receive, consider and if deemed fit, adopt the accounts for the year ended 31 December 1997 together with the reports thereon of the directors and of the auditors.

3. To confirm the interim dividend of Sh. 1.00 (20%) per stock unit paid on 15 October 1997 and to declare a final dividend of Sh. 1.75 (35%) per stock unit.

4. (a) To elect directors.
   (b) Sir Charles Markham, retiring by rotation, but being over the age of 70 years, retires under section 186(2) of the Companies Act (Cap 486). Special notice has been received by the Company pursuant to Section 142 of the Companies Act (Cap 486) that the following ordinary resolution be proposed in accordance with Section 186 (5) of the said Act.
   "Sir Charles Markham, a director who is over the age of 70 years, be re-elected a director of the Company."

5. To confirm the directors' remuneration.

6. To authorise the directors to fix the auditors' remuneration.

7. To transact any other ordinary business which may be transacted at an Annual General Meeting.

By order of the Board.

M. C. Perkins
Chairman

Nairobi
6 March 1998.

Notes:

A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf and such proxy need not be a member of the Company. A form of proxy is on the last page.
The final dividend will, if approved, be paid on 29 May 1998 to members on the register at the close of business on 7 May 1998.

CHAIRMAN'S STATEMENT

The profit attributable to Kakuzi shareholders for 1997 after tax and minority interests amounted to Sh. 202.3 million (1996 - Sh. 142.1 million). The worthwhile increase in profit was achieved in spite of adverse weather conditions with drought reducing our tea and coffee yields in the early months of the year and record-breaking rains affecting all our farming operations during the final quarter. We also had to contend with further increased interest rates which no doubt contributed to a shilling exchange rate considered by some to be over-valued.

COFFEE

PRODUCTION IN 1997 - 1816 TONNES FROM 1086 MATURE HA
(PRODUCTION IN 1996 - 2253 TONNES FROM 1065 MATURE HA)

Our early crop yields at both Kakuzi and Garton proved to have been seriously affected by the drought experienced in late 1996 and early 1997. Fortunately coffee prices rose to levels which more than compensated for this shortfall in production. During 1997 we planted 37 ha of new coffee at Kakuzi and we replanted 19 ha at Garton. We continue to be disappointed by the lack of progress in the long awaited liberalisation of coffee marketing.

TEA

PRODUCTION IN 1997 - 2.1 MILLION KG OF MADE TEA FROM 902 HA
(PRODUCTION IN 1996 - 2.3 MILLION KG OF MADE TEA FROM 910 HA)

The prolonged drought during the early part of the year adversely affected production levels. The total factory throughput at Siret was 3.1 million kg of made tea, equivalent to 1996. Kenya's total tea production for 1997 was 221 million kg, a fall of 14% in relation to 1996. Prices started the year at a relatively dull level but, as shortages became evident, they advanced by 56% over the twelve month period. During 1997 Siret commenced the clearing for 240 ha of new tea development scheduled to cover a six year period, and we embarked on an experimental programme for the aerial application of fertilizer. There was also investment in factory improvements and in the ongoing housing and welfare programme. Siret continues with its policies of producing quality tea and seeking an improvement in yields, both of which have shown positive progress.

HORTICULTURE

265 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 1087 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 1997 (222 HA DEVELOPED TO HORTICULTURAL CROPS PLUS 953 HA OF JOINT VENTURE PINEAPPLE AT 31 DECEMBER 1996)

During 1997 we planted a further 42 ha of avocados and we now have 17 ha of pineapple to be sold as fresh fruit on the local market. We again increased the amount of land in our jointly controlled canned pineapple project with Del Monte Kenya Limited.

LIVESTOCK

CATTLE SALES 883 HEAD (1996 - 1144 HEAD)
SHEEP SALES 557 HEAD (1996 - 509 HEAD)
CATTLE HERD AT 31 DECEMBER 1997 - 3837 HEAD (1996 - 4105 HEAD)
SHEEP FLOCK AT 31 DECEMBER 1997 - 1349 HEAD (1996 - 1467 HEAD)

Our cattle and sheep survived the drought of late 1996 / early 1997 in reasonable condition but many sheep have since died as a result of the exceptional rains experienced during the past five months. Cattle prices eased during 1997 as animals were forced on to the market by the drought at the same time that demand for quality beef was being affected by the collapse of tourism in the country.

FORESTRY

The rains in late 1997 were beneficial for the establishment of new plantings, although access to planting sites was often impossible for lengthy periods. During the year we completed 203 ha of new plantings and 42 ha of infilling.

GENERAL

We continue to concentrate much of our capital investment in improving the quantity and quality of the housing and associated services which we provide for our employees and in expanding our irrigation infrastructure. The security situation at Siret during the build up to the election was tense and we experienced some encroachment on to our land. It is pleasing to note that the local administration was quick to react and deal with such problems.

PROFITS AND DIVIDENDS

The profit after tax attributable to Kakuzi stockholders amounted to Sh. 202.3 million for the twelve month period to 31 December 1997. An interim dividend of 20% (1996 - 16%) has already been declared and the board of directors recommend a final dividend of 35% (1996 - 28%), leaving Sh. 148.4 million for transfer to reserves.

PROSPECTS AND DEVELOPMENT PLANS

The year has started with firm prices and good cropping levels for our Siret teas. With respect to coffee, indications are that current high prices will be sustained at least for the sale of the balance of last year's late crop. The recent rains have severely affected this year's early crop throughout East Africa - we estimate we may have lost up to one quarter of our expected production. We intend to plant another 40 ha of new coffee this year and we have already started construction of an additional coffee factory at Kakuzi. We plan little change this year in the areas devoted to horticultural crops, except that we shall plant an additional 130 ha of joint venture pineapple. Sheep will be phased out as selling opportunities arise. A further 200 ha of forestry will be established this year provided drought conditions do not return. As with coffee, our joint venture pineapple production is being severely affected by the recent rains. However, despite these problems, we remain cautiously optimistic about the results for the current year.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEES

I would like to express the appreciation of the directors and stockholders to all our staff for their contribution to the performance of Kakuzi during this past year - the extremes of weather experienced throughout Kenya during 1997 made it one of the most difficult years ever for agricultural operations.

M. C. Perkins
Chairman

Nairobi
6 March 1998.

REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principal activities of the company and its subsidiaries comprise:-

- The cultivation and manufacture of tea and coffee
- Livestock farming
- Jointly controlled operations dealing with the growing of pineapples
- Growing of other horticultural crops
- Forestry development

RESULTS AND DIVIDENDS

The results for the year are shown on page 9 of these accounts.

An interim dividend of Sh. 1.00 per stock unit (1996 - 80 cents per stock unit) was paid on 15 October 1997.

The directors propose a final dividend of Sh 1.75 per stock unit (1996 - Sh 1.40 per stock unit) payable on 29 May 1998.

DIRECTORS

The directors who held office since 1 January 1997 and their interests in the share capital of the company are listed below:-

	Number of stock units held at 31-12-1997		Number of stock units held at 31-12-1996	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
M. C. Perkins	-	300	-	300
Dr. T. R. Fowkes	-	300	-	300
K. W. Tarplee	-	75	-	75
C. A. Gardner	3,000	-	3,000	-
F. R. Bibby	225	-	225	-
Sir Charles Markham	3,552	-	3,552	-
Dr. B. M. Gecaga	10,704	-	10,704	-

Under the terms of the Articles of Association, Sir Charles Markham and Mr. K. W. Tarplee retire by rotation and, being eligible, seek re-election.

Sir Charles Markham, retiring by rotation, but being over the age of 70 years retires in accordance with Section 186 (2) of the Companies Act (Cap 486), and seeks re-election under the provisions of Section 186 (5) of the said Act.

None of the directors or their families had a material interest in any significant contract with the company or any of its subsidiaries during or at the end of the financial year.

SUBSTANTIAL INTERESTS

As at 6 March 1998 the company has been advised of the following significant interests in the issued share capital of the company:-

i) Linton Park Plc and subsidiaries held 50.01%. Lawrie Group Plc is deemed to be interested in these stock units by virtue of its shareholding in Linton Park Plc. Camellia Plc is deemed to be interested in these stock units by virtue of its shareholding in Lawrie Group Plc.

ii) Kenya Reinsurance Corporation held 5.70%.

AUDITORS

Coopers & Lybrand continue in office in accordance with Section 159 (2) of the Companies Act (Cap 486).

By order of the Board.

Dr. T. R. Fowkes
Managing Director

Nairobi.
6 March 1998.

REPORT OF THE AUDITORS TO THE MEMBERS OF KAKUZI LIMITED

1. We have audited the accounts set out on pages 9 to 23. The accounts of the company set out on page 11 are in agreement with the books of account. We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

2. Respective Responsibilities of Directors and Auditors

   Under the provisions of the Companies Act, the directors are responsible for the preparation of accounts which give a true and fair view of the company's and group's state of affairs and the group's profits or losses. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

3. Basis of Opinion

   We conducted our audit in accordance with Kenyan Auditing Standards. These standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the accounts. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the accounts.

4. Opinion

   In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of affairs of the company and the group at 31 December 1997 and of the profit and cash flows of the group for the year then ended and comply with the Companies Act (Cap 486).

Coopers & Lybrand
Certified Public Accountants of Kenya

Nairobi
6 March 1998.

Kakuzi limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997	1996
		Sh '000	Sh '000
TURNOVER	1	1,278,010	939,644
OPERATING PROFIT BEFORE INTEREST AND EXCHANGE (LOSSES)/GAINS	1	313,831	172,804
INTEREST			
- Payable		(37,692)	(36,733)
- Receivable		2,298	266
NET INTEREST PAYABLE		(35,394)	(36,467)
EXCHANGE (LOSSES)/GAINS		(15,671)	12,253
PROFIT BEFORE TAXATION	1	262,766	148,590
TAXATION	2	43,895	2,467
PROFIT AFTER TAXATION		218,871	146,123
MINORITY INTERESTS		16,538	4,025
PROFIT ATTRIBUTABLE TO THE MEMBERS OF KAKUZI LIMITED	3	202,333	142,098
DIVIDENDS	4	53,900	43,120
RETAINED PROFIT FOR THE YEAR	14	148,433	98,978
		Sh.	Sh.
EARNINGS PER STOCK UNIT	5	10.32	7.25

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997	1996
		Sh '000	Sh '000
FIXED ASSETS	6	2,280,485	1,531,836
INVESTMENTS	7	201	201
GROWING CROPS	8	61,465	80,962
CURRENT ASSETS			
Growing crops	8	98,529	89,902
Stocks	9	195,101	184,629
Debtors		87,196	85,295
Taxation recoverable		53	18,210
Due by related companies		23	3,546
Short term deposit		4,000	-
Bank balances and cash		9,188	10,556
		394,090	392,138
CURRENT LIABILITIES			
Creditors		130,571	86,600
Bank overdrafts (secured)		100,070	138,810
Due to related companies		21,769	6,822
Taxation		14,949	124
Dividends	4	34,300	27,440
Loans repayable within one year	11	18,400	14,826
		320,059	274,622
NET CURRENT ASSETS		74,031	117,516
		2,416,182	1,730,515
Loans repayable after more than one year	11	47,686	66,463
		2,368,496	1,664,052
SHARE CAPITAL	12	98,000	98,000
CAPITAL RESERVE	13	1,300,432	780,719
REVENUE RESERVE	14	875,506	721,340
STOCKHOLDERS' FUNDS		2,273,938	1,600,059
MINORITY INTERESTS		94,558	63,993
		2,368,496	1,664,052

The accounts were approved by the Board of Directors on 6 March 1998.

Dr. T. R. Fowkes)
F. R. Bibby) Directors

Kakuzi Limited

COMPANY BALANCE SHEET
31 DECEMBER 1997

	Note	1997	1996
		Sh '000	Sh '000
FIXED ASSETS	6	2,108,991	1,433,776
INVESTMENTS	7	10,959	10,959
GROWING CROPS	8	61,465	80,962
CURRENT ASSETS			
Growing crops	8	94,451	85,426
Stocks	9	169,966	151,139
Debtors		84,005	83,922
Taxation recoverable		-	18,157
Due by related companies		-	3,498
Bank balances and cash		6,814	10,166
		355,236	352,308
CURRENT LIABILITIES			
Creditors		126,197	81,995
Bank overdrafts (secured)		100,070	136,229
Due to subsidiary companies		16,475	16,423
Due to related companies		21,769	6,814
Taxation		1,871	-
Dividends	4	34,300	27,440
Loans repayable within one year	11	18,400	14,826
		319,082	283,727
NET CURRENT ASSETS		36,154	68,581
		2,217,569	1,594,278
Loans repayable after more than one year	11	47,686	66,463
		2,169,883	1,527,815
SHARE CAPITAL	12	98,000	98,000
CAPITAL RESERVE	13	1,236,407	746,594
REVENUE RESERVE	14	835,476	683,221
STOCKHOLDERS' FUNDS		2,169,883	1,527,815

The accounts were approved by the Board of Directors on 6 March 1998.

Dr. T. R. Fowkes)
F. R. Bibby) Directors

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1997

		1997	1996
	Note	Sh '000	Sh '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	A	509,171	325,111
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Dividend received		596	596
Interest received		2,256	254
Interest paid		(38,920)	(36,278)
Dividends paid		(47,040)	(40,180)
Dividends paid to minority		(14,700)	(4,900)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(97,808)	(80,508)
TAXATION PAID		(10,914)	(8,281)
CASHFLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets		(267,596)	(172,147)
Expenditure on growing crops		(92,822)	(125,089)
Proceeds on disposal of fixed assets		16,544	3,203
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(343,874)	(294,033)
CASHFLOWS FROM FINANCING ACTIVITIES:			
Loans repaid		(15,203)	(10,670)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(15,203)	(10,670)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		41,372	(68,381)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(128,254)	(59,873)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	B	(86,882)	(128,254)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

		1997	1996
		Sh '000	Sh '000
A.	Reconciliation of operating profit to net cash inflow from operating activities		
	Profit before taxation	262,766	148,590
	Loan and overdraft interest	37,692	36,733
	Dividend receivable	(596)	(596)
	Interest receivable	(2,298)	(266)
	Depreciation	65,942	53,433
	(Profit)/loss on disposal of fixed assets	(9,365)	455
	Operating Profit	354,141	238,349
	Growing crop charges	103,692	73,581
	(Increase)/decrease in stocks	(10,472)	21,695
	Increase in debtors	(1,859)	(25,360)
	Increase in creditors	45,199	12,001
	Increase in related company balances	18,470	4,845
	Net cash inflow from operating activities	509,171	325,111
B.	Cash and cash equivalents at the end of the year		
	Short term deposit	4,000	-
	Bank balances and cash	9,188	10,556
	Bank overdrafts	(100,070)	(138,810)
		(86,882)	(128,254)

STATEMENT OF GROUP ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 1997

BASIS OF ACCOUNTING

The group prepares its accounts on the historical cost basis of accounting modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards in Kenya.

CONSOLIDATION

The consolidated accounts comprise the accounts of the parent company and all of its subsidiaries for the year ended 31 December 1997.

INVESTMENTS

Investments are stated at the lower of cost and net realisable value. Income from these investments is accounted for when dividends and interest are receivable.

FIXED ASSETS

Development expenditure on horticultural crops other than growing crops is capitalised. Fixed assets of the jointly controlled operations are included under the appropriate balance sheet headings.

Depreciation is calculated on a straight line basis at annual rates estimated to write off the cost or valuation of each asset over its anticipated useful life. The cost or valuation of freehold land and development is not depreciated. Capital work in progress is not depreciated.

The annual rates in use are:-

Leasehold land	Over the period of the lease
Buildings, dams, water supply and fencing	2% to 20%
Plant, machinery and tools	7.5%
Motor vehicles, tractors, trailers and implements	10% to 25%
Furniture, fittings and equipment	12.5%

TURNOVER

Turnover includes the gross proceeds of coffee and tea sold during the year. Livestock, forestry and horticultural crop sales are based on invoiced values. Turnover of the jointly controlled operations is the company's share of income based on estimated realisable value.

STATEMENT OF GROUP ACCOUNTING POLICIES *(continued)*

GROWING CROPS

Growing crops comprise:-

- The company's share of development expenditure on the pineapple project.
- Expenditure on horticultural crops other than permanent plantings.
- Production costs incurred during the year relating to future coffee harvests.

Costs deferred are charged to revenue over the production life - cycle of individual crops.

STOCKS

Stocks are stated at the lower of average cost and net realisable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and production overheads wherever appropriate. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the cost of the realisation. Provision is made for obsolete, slow moving and defective stock.

TAXATION

Current taxation is provided on the basis of the results of the year as shown in the accounts, adjusted in accordance with the tax legislation.

Deferred taxation is provided using the liability method on timing differences where, in the opinion of the directors, there is reasonable probability that such timing differences will reverse in the foreseeable future.

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Foreign currency trading transactions are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the profit and loss account.

RETIREMENT BENEFITS AND SERVICE GRATUITIES

Contributions made to defined contribution schemes are charged to the profit and loss account as incurred. Service gratuities accruing to employees under the Collective Bargaining Agreements with the Trade Unions, are charged to the profit and loss account upon employees attaining the specified age.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

1. GROUP TURNOVER AND OPERATING PROFIT BEFORE INTEREST AND EXCHANGE (LOSSES)/GAINS

	Group Turnover		Operating profit before interest and exchange (losses)/gains	
	1997	1996	1997	1996
	Sh '000	Sh '000	Sh '000	Sh '000
Coffee	512,243	349,615	207,289	91,270
Tea	367,689	267,189	103,570	47,151
Livestock	24,752	27,520	13,615	21,511
Horticulture	368,243	288,480	31,632	57,484
Forestry	5,083	6,840	981	544
Other operating profit	-	-	20,624	12,366
Administration expenses	-	-	(63,880)	(57,522)
	1,278,010	939,644	313,831	172,804

	1997	1996
Profit before taxation is stated after charging:		
Directors' emoluments:		
-Fees	510	535
-Other emoluments	9,315	9,000
-Pension contributions	1,265	1,099
-Payment to past directors	104	104
Auditors' remuneration:		
-current year	2,259	2,855
-previous year (over)/under provision	(767)	278
Depreciation	65,942	53,433
Loss on disposal of fixed assets	-	455
and after crediting:		
Profit on disposal of fixed assets	9,365	-
Dividend	596	596

NOTES TO THE ACCOUNTS *(Continued)*

2. TAXATION

CURRENT TAXATION

	1997 Sh '000	1996 Sh '000
The taxation charge comprises:		
Income tax based on the taxable profit for the year at 35%	44,013	2,460
Previous year (over)/under provision	(118)	7
	43,895	2,467

The profit before taxation per the profit and loss account is materially in excess of the profit for taxation purposes mainly due to accelerated tax allowances and other timing differences.

DEFERRED TAXATION

The amount of potential deferred taxation liability not provided in the accounts was:

	Group Sh '000	Company Sh '000
At 31 December 1997	16,206	14,950
At 31 December 1996	1,753	-

3. PROFIT ATTRIBUTABLE TO THE MEMBERS OF KAKUZI LIMITED

The consolidated profit attributable to the members of Kakuzi Limited includes a profit of Sh. 200,420,468 (31 December 1996 - Sh. 143,008,992) which has been dealt with in the accounts of Kakuzi Limited.

4. DIVIDENDS

Dividends per stock unit are as follows:-	1997 Sh '000	1996 Sh '000
Interim paid of Sh. 1.00 (31 December 1996 - 80 cents)	19,600	15,680
Proposed final of Sh 1.75 (31 December 1996 - Sh 1.40)	34,300	27,440
	53,900	43,120

5. EARNINGS PER STOCK UNIT

Earnings per stock unit are calculated on the profits attributable to each of the 19,599,999 stock units in issue at 31 December 1997 based on the consolidated profit after tax, and after deducting the minority interests.

6. FIXED ASSETS - GROUP

	Freehold & leasehold land, buildings, improvements, dams and development Sh '000	Plant, machinery and tools Sh '000	Motor vehicles, tractors, trailers and implements Sh '000	Furniture, fittings and equipment Sh '000	Capital work in progress Sh '000	Total Sh '000
COST OR VALUATION						
At 1 January 1997	1,459,835	82,496	125,496	43,452	46,692	1,757,971
Revaluation surplus	538,804	-	-	-	-	538,804
Transfers	32,281	-	-	5,330	(37,611)	-
Additions	149,291	9,945	25,488	5,525	77,347	267,596
Disposals	(7,719)	-	(5,783)	-	-	(13,502)
At 31 December 1997	2,172,492	92,441	145,201	54,307	86,428	2,550,869
Comprising:						
Cost	471,498	89,365	144,034	53,673	86,428	844,998
Valuation - 1978	11,130	3,076	1,167	634	-	16,007
Valuation - 1993	131,801	-	-	-	-	131,801
Valuation - 1997	1,558,063	-	-	-	-	1,558,063
	2,172,492	92,441	145,201	54,307	86,428	2,550,869
DEPRECIATION						
At 1 January 1997	110,567	25,218	72,628	17,722	-	226,135
Written back on revaluation	(15,370)	-	-	-	-	(15,370)
Charge for the year	32,052	6,310	21,413	6,167	-	65,942
Relating to disposals	(691)	-	(5,632)	-	-	(6,323)
At 31 December 1997	126,558	31,528	88,409	23,889	-	270,384
NET BOOK VALUE						
At 31 December 1997	2,045,934	60,913	56,792	30,418	86,428	2,280,485
At 31 December 1996	1,349,268	57,278	52,868	25,730	46,692	1,531,836

6. FIXED ASSETS - COMPANY

	Freehold & leasehold land, buildings, improvements, dams and development Sh '000	Plant, machinery and tools Sh '000	Motor vehicles, tractors, trailers and implements Sh '000	Furniture, fittings and equipment Sh '000	Capital work in progress Sh '000	Total Sh '000
COST OR VALUATION						
At 1 January 1997	1,375,056	68,801	110,554	41,674	43,883	1,639,968
Revaluation surplus	480,177	-	-	-	-	480,177
Transfers	29,472	-	-	5,330	(34,802)	-
Additions	135,464	9,945	23,591	5,040	73,237	247,277
Disposals	(7,719)	-	(5,573)	-	-	(13,292)
At 31 December 1997	2,012,450	78,746	128,572	52,044	82,318	2,354,130
Comprising:						
Cost	442,193	77,188	127,484	51,584	82,316	780,767
Valuation - 1978	9,878	1,558	1,088	460	-	12,984
Valuation - 1993	125,341	-	-	-	-	125,341
Valuation - 1997	1,435,036	-	-	-	-	1,435,038
	2,012,450	78,746	128,572	52,044	62,318	2,354,130
DEPRECIATION						
At 1 January 1997	103,629	21,364	64,278	16,921	-	206,192
Written back on revaluation	(15,370)	-	-	-	-	(15,370)
Charge for the year	30,028	5,422	19,035	5,945	-	60,430
Relating to disposals	(691)	-	(5,422)	-	-	(6,113)
At 31 December 1997	117,596	26,786	77,891	22,666	-	245,139
NET BOOK VALUE						
At 31 December 1997	1,694,654	51,960	50,681	29,178	82,318	2,108,991
At 31 December 1998	1,271,427	47,437	46,276	24,753	43,883	1,433,776

6. FIXED ASSETS (Continued)

The leasehold properties have unexpired periods in excess of 900 years with the exception of one which has an unexpired period of 56 years.

Land and development were revalued by the directors on 1 January 1997. The valuation was based on a cautious estimate of the open market value for agricultural properties with well developed operations.

Certain assets are fully depreciated as shown below:-

	31 December 1997		31 December 1996	
	Group Sh '000	Company Sh '000	Group Sh '000	Company Sh '000
Cost or valuation	64,146	55,045	48,137	41,759
Notional depreciation charge for the year	9,587	8,516	6,431	5,680

FUTURE CAPITAL EXPENDITURE

	31 December 1997		31 December 1996	
	Group Sh '000	Company Sh '000	Group Sh '000	Company Sh '000
Authorised by the respective boards of directors:				
- contracted for	25,164	25,164	7,788	7,338
- not contracted for	261,568	238,002	261,634	240,439
	286,732	263,166	269,422	247,777

7. INVESTMENTS

	31 December 1997		31 December 1996	
	Group Sh '000	Company Sh '000	Group Sh '000	Company Sh '000
Subsidiary companies:-				
Unquoted shares at cost	-	10,798	-	10,798
Trade:-				
Kenya Planters' Co-operative Union Limited - loan stock	189	149	189	149
Kenya Co-operative Creameries Limited - deferred shares	4	4	4	4
Kenya Tea Packers Limited - ordinary shares	8	8	8	8
	201	10,959	201	10,959

The subsidiary companies and the company's shareholding in those companies is set out on page 1. Garton Limited is involved in the cultivation and processing of coffee and Estates Services Limited offers agency services relating to the sale of coffee. Siret Tea Company Limited and Kaguru Limited are dormant.

8. GROWING CROPS

	Pineapple Project Sh '000	Other Horticultural Crops Sh '000	Coffee Sh '000	1997 Total Sh '000	1996 Total Sh '000
GROUP					
At 1 January 1997	124,878	9,833	36,153	170,864	119,356
Expenditure during the year	47,040	12,133	33,649	92,822	125,089
Charged to revenue	(60,116)	(7,423)	(36,153)	(103,692)	(73,581)
At 31 December 1997	111,802	14,543	33,649	159,994	170,864
Chargeable to revenue within one year	60,106	4,774	33,649	98,529	89,902
Chargeable to revenue after more than one year	51,696	9,769	-	61,465	80,962
COMPANY					
At 1 January 1997	124,878	9,833	31,677	166,388	115,530
Expenditure during the year	47,040	12,133	29,571	88,744	120,613
Charged to revenue	(60,116)	(7,423)	(31,677)	(99,216)	(69,755)
At 31 December 1997	111,802	14,543	29,571	155,916	166,388
Chargeable to revenue within one year	60,106	4,774	29,571	94,451	85,426
Chargeable to revenue after more than one year	51,696	9,769	-	61,465	80,962

9. STOCKS

	1997		1996	
	Group Sh '000	Company Sh '000	Group Sh '000	Company Sh '000
Coffee	74,762	52,298	90,540	60,144
Tea	41,464	41,464	18,637	18,637
Livestock	39,202	39,202	35,546	35,546
General stores	39,673	37,002	39,906	36,812
	195,101	169,966	184,629	151,139

10. RELATED PARTY TRANSACTIONS

Fellow subsidiaries within the Linton Park Group act as brokers and managing agents for certain products of the company. These services are charged at an arms length basis. The amounts due from and due to related companies represent outstanding obligations in respect of transactions arising in the ordinary course of business.

11. LOANS (secured)

	1997 Sh '000	1996 Sh '000
Loan repayable in monthly instalments by the year 1999	13,129	18,836
Loan repayable in monthly instalments by the year 2001	52,957	62,453
	66,086	81,289
Less repayable within one year	(18,400)	(14,826)
	47,686	66,463

NOTES THE ACCOUNTS *(Continued)*

12. SHARE CAPITAL

	1997 Sh '000	1996 Sh '000
Authorised:		
20,000,000 shares of Sh 5 each	100,000	100,000
Issued and converted into stock:		
19,599,999 units of Sh 5 each fully paid	98,000	98,000

In accordance with the Articles of Association all fully paid-up shares of the company are converted into stock units at the time of issue.

13. CAPITAL RESERVE

	Group Sh '000	Company Sh '000
At 1 January 1997	780 ,719	746,594
Surplus on revaluation of fixed assets during the year	525,446	495,546
Transfer to revenue reserve of revaluation surplus realised on disposal of fixed assets	(5,733)	(5,733)
At 31 December 1997	1,300,432	1,236,407

14. REVENUE RESERVE

At 1 January 1997	721,340	683,221
Transfer from capital reserve of revaluation surplus realised on disposal of fixed assets	5,733	5,733
Retained profit for the year	148,433	146,522
At 31 December 1997	875,506	835,476

FIVE YEAR RECORD

	1997 Sh '000	1996 Sh '000	1995 Sh '000	1994 Sh '000	1993 Sh '000
Turnover	1,278,010	939,644	696,582	905,139	546,427
Profit before taxation	262,766	148,590	84,805	283,052	219,723
Taxation	(43,895)	(2,467)	(5,089)	(57,495)	(63,609)
	218,871	146,123	79,716	225,557	156,114
Minority interests	(16,538)	(4,025)	(11,983)	(21,948)	(10,735)
	202,333	142,098	67,733	203,609	145,379
Dividends	(53,900)	(43,120)	(39,200)	(39,200)	(26,133)
Retained profit for the year	148,433	98,978	28,533	164,409	119,246
Capital and reserves:					
Called up share capital	98,000	98,000	98,000	98,000	65,333
Reserves	2,175,938	1,502,059	1,403,081	1,374,548	1,242,806
	2,273,938	1,600,059	1,501,081	1,472,548	1,308,139
Earnings per stock unit (Sh)	10.32	7.25	3.46	10.39	7.42
Dividends per stock unit (Sh)	2.75	2.20	2.00	2.00	2.00
Dividend cover	3.75	3.30	1.73	5.19	3.71
Net asset value per stock unit (Sh)	116.02	81.64	76.59	75.13	66.74

Notes:

(a) Financial years reported:

10 months to 31 December 1993
12 months to 31 December 1994
12 months to 31 December 1995
12 months to 31 December 1996
12 months to 31 December 1997

(b) 1993 earnings per stock unit, dividend cover and net asset value per stock unit have been restated to reflect capitalisation of 6,533,333 bonus shares issued in 1994.

Kakuzi Limited

FORM OF PROXY
(ANNUAL GENERAL MEETING)

I/We ....

of .... being a member/members of Kakuzi

Limited, do hereby appoint ....

or failing him/her, the duly appointed Chairman of the meeting to be my/our proxy, to vote for me/us at the Annual General Meeting of the Company to be held at the Tinga Tinga Room, The Norfolk Hotel, Harry Thuku Road, Nairobi, Kenya on the Twenty first day of May 1998 and at any adjournment thereof.

As witness my/our hand(s) this .... day of 1998

Signature ....

Unless otherwise indicated, the proxy will vote as he/she thinks fit.

Notes:

(1) In the case of joint holders, only one need sign as the vote of the senior holder who tenders a vote will alone be counted. Seniority will be determined by the order in which the names appear in the Register of Members. The names of all the joint holders should be stated.

(2) If the appointor is a corporation, the proxy must be executed under its common seal or under the hand of an Officer or Attorney duly authorised in writing.

(3) To be valid, this proxy must be deposited at the Registered Office of the Company not less than 24 hours before the time appointed for holding the meeting.

FOLD 2

STAMP

FOLD 1

The Company Secretary,
Kakuzi Limited,
P.O. Box 30572,
Nairobi,
Kenya.

FOLD 3

INSERT FLAP INSIDE